G. R. S. IX-5]

Previous references.

Later references.

File No. 115-17

Serial Nos. 1

1917-18

(Gen. C.)

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 1

Part B for July 1918

SUBJECT.

Government receipts and Audit of Mines Accounts

No 811 dtd 8: Director of Geology
No. G. 726 dtd 15-7-18.
Asks that the Geological Collections
the accounts maintained by the Director
in the State is handed over the Director of a
Financial Expert &c &c

W D 88—GPB—50,000—24-7-18

Examined
31-7-18

G. R. S. III—1] 1917-18

GENERAL AND REVENUE SECRETARIAT.

(Geol)

NOTES.

File No. 115-17

FILE HEADING.

Government Inspection of Mines Accounts.

From

No.	Dated	Received

Diary No.	Enclos.	Spare Copies.	Serial No.

BRIEF ABSTRACT OF LETTER.

NOTES AND ORDERS.

WD 1232—GPB—20,000—18-11-16

G. R. S. III-2)

General and Revenue Secretariat.

Geol File No. 115 of 1917-18

Serial No.	
4	Extract from Geol File no 35-17. From the Offg Director of Geology. No 1280 dt 1-12-17. Acknowledges receipt of G.O. no 7C 2664-8/Geol 35-17-3 dt 28th Nov 1917 passing orders on the report of Mr. K. L. Datta on the State of accounts in the Geol Dept & States that the various matters referred to therein will receive his due attention. 1 No reply has been received from the Director in either of the 2 points due from him. 2) inspection of the accounts of the Mining companies. Rebd. (Sd) V. K. S. 7-1-18. (Sd) V. S. 3 Issue d.o. required (Sd) P. S. G. 8-1-18. 4 Draft D.O. Rebd. (Sd) V.K.S. 8-1-18. 5 Issue (Sd) P. S. G. 9-1-18. Issued Cy 9313 dt 10-1-18
6	From the Offg Director of Geology. No 1670 dt 11-1-1918. In continuation of 7C 4 (Calc dt 1-12-17) forwards for orders a report in respect of the several matters referred to in paras 1 to 10 of G.O. no 7C

NOTE—Contn. sheet.

G. R. S. III-2)

General and Revenue Secretariat.

Geol File No. 115 of 1917-18

Serial No.

2664-8 / Geol 35-17-3-8 28-11-17 relating to the accounts of the Geol Dept.

6 Submitted as directed

(Sd) V.K.S. 16-1-18. (Sd) V.S.

7 Chief Secretary.) (Sd) P.K.G. 16/1/18

Under Secretary please study & direct with the in person C.S.B. (Sd) 16-1-18

8 In favour of a very early note as to the proposed character of the inspection (please see sub-paras c and 2 of para 5).

Branch II) (Sd) P.Bg. 24-1-18.

U.O. 1852

9 The question has been discussed in all its aspects by Mr Datta in paras 66 to 69 of his note.

10 A suitable paraphrase of the portions marked in these may be communicated as the opinion of the Special audit office, which was the immediate cause of the action now proposed to be taken in accordance with the agreement.

in pencil

Financial Secretary). (Sd) D.S. 24-1-18.

11 The chief object of the inspection is explained in para 67 of Mr. Datta's report. It is to satisfy ourselves that the quantities extracted are actually brought to account, that the quantities shown in original accounts agree with those shown in the

NOTE—Contn. sheet.

Serial No.

returns which are rendered to us and on the quantities shown in which, royalty has been paid to us and that the rebate claims relate only to such charges as form a part of the expenses correctly admissible against the gross revenue.

12. 2. The proposed inspection is not due to any "feeling of distrust in the books & accounts maintained by the Mining companies". As we have so far had no reason to doubt the correctness of the returns rendered to us. It is necessary to re-assure the companies on this point. It is natural that the companies should desire to know why we propose to exercise a right which we have allowed to fall practically into desuetude for over 30 years. It is difficult to give a satisfactory answer to this question and I do not think it will do to say as proposed by the Officiating Director that "the necessity now felt for exercising the right of inspection has purely arisen from the recent report of the Government Special Audit Officer." It seems to me that the only answer we can give is that the right is reserved in the contract and we propose to exercise it. We may assure the companies that our inspections will cause no inconvenience to them & that the inspections will be made at any time convenient to them.

13. 3. As regards the scope of the inspection,

NOTE—Contn. sheet

G. R. S. III-2]

General and Revenue Secretariat. | Geol File No. 115 of 1917-18.

Serial No.

it may be stated that it should extend to a reference to all the books and accounts relating to the extraction of ores, the production of gold from them, operating expenses & the charges incidental to the transmission of gold produced, to London or to any other place to which it may be consigned.

14 4. As it is a question of availing ourselves a right which we have not exercised for a very long period, it is necessary to be very cautious and tactful in conducting inspections. I agree with the Offg Director that it is very desirable that the right should be exercised even though it may be considered unnecessary or superfluous by the companies.

15. 5. As regards who should make the inspection I would suggest that for some time after we begin to exercise the right of inspection it may be conducted by a high officer of the Geological Department who knows the Superintendents of the Companies. After a year or two, it will be well to associate an officer of the Accounts department with an officer of the Geological dept and require them to jointly go through the books and accounts of the companies

(Sd) M. K. K.
26-1-18.

Bangalore
26th Jan' 18.

(Sd) O.S.
29-1-18.

16 Please put up a draft on these lines

(Sd) H. S. J.
29-1-18.

NOTE—Contn. sheet.

WD 1233—GPB—60,000—1-12-16—S.

G. R. S. III-2]

General and Revenue Secretariat. | Govt File No. 85 of 1917-18

Serial No.	
7.	From the Chief Inspector of Mines in Mysore No 637 dt 16-1-18. States that the report called for in para 10 of Govt order of 28-11-17 in regard to the annual inspection by Govt officers of the accounts of Gold Mining Companies has been submitted to Govt by the Offg director, Dept of Geology. The report in question is said to be being dealt with separately. Many reports at that file be awaited AHS. 21-1-18.

MR 1721

G. R. S. III-2}

General and Revenue Secretariat. | Geol File No. 115 of 1917-18.

Serial No.

17 Two drafts submitted
(Initd) T. S. G.
9-2-18.
Chief Secy)

18 The drafts have been prepared under my instructions and are submitted for orders.
Council meeting.
2nd Member) (Initd) C. S. B.
9-2-18.

19 Under Secretary, Branch V.
Please issue the order and represent the file for action about the draft re accounts. The papers about the latter may be separated and made into a new file
(Initd) C. S. B.
24-4-18.
(Initd) T. S. G.
29-4-18.

20 Submitted with reference to paragraph 19 supra. Attention is invited to paragraph relating to Govt Inspection of Mine Accounts' referred in the notes of discussion by the Second Member of Council with the K. G. F. Mining Board & also to paragraph 12 of the Responsibility Sheet issued in respect of the questions referred to therein.
R
G.
Adl. 10-5-18.
VS
1 Mai 7
(Chatterton)
2. May the Draft issue?
21/20/5/18

22 Draft may be approved
2nd member

242
25.5.18

NOTE—Contn. sheet.

cdj
29/5/18
21/25/5/18

5307

8

G. R. S. III-2)

General and Revenue Secretariat. | Govt File No. 115 of 1917

Serial No.

23 2 Dupl copies (the draft Notification) this receipt (counsel & the memorandum) of the Bills can be held (the Secretary) who cannot attend legislative meetings are issued. Please see note of discussion. If any suggestions to etc in the Secretariat draft (Secretary) (Govt)

R 24 Putup the notes & discussion & revise draft-

the Notes are flagged R CBX 27/5/18

25 A (Govt) revised draft is put up. (Secretary) 27/5/ 27/5/ 1/6/18

26 A revised draft is submitted (2nd member) CBX 7/6/18

122 7.6.18

27 I shd like original draft (25.5.18) put up for me here. I do not wish it on the file now Read 12.6.18 12/6/18

NOTE—Contn. sheet.

5307

9

G. R. S. III-2j

General and Revenue Secretariat. | Geol File No. 115 of 1917-18.

Serial No.

F

A

28 There is no draft dated 25-5-1918. The draft dated 9.2.1918 was re-submitted on 25-5-1918. It is flagged 7

29 A revised draft is put up. (Chaffey) 19/6/18

30 2nd member)

56
2.7.18.

Draft approved
3.7.18

Recd
3.7.18

Issued 4/3/7/18

To

The offg Director Dept of Geology

G 726 of 15th July 1918

States that the proposal to inspect the accounts maintained by the Mining Companies in the State is based on the advice of a financial expert; that as regards the scope of inspection it is under consideration of Govt to inspect all the accounts re the extraction of ores & the quantity of gold obtained, etc and that the

NOTE—Contn. sheet.

10

G. R. S. III-2)

General and Revenue Secretariat.

Geol File No. 115 of 1917-18.

Serial No.

Superintendents of Mines may be requested to place themselves in communication with their Directors [illegible] at the receipt of their replies of the answers, further instructions will be issued.

GEN. & REV. SECRETARIAT V GENERAL 25 JUL. 1919

Rajus

NOTE—Contn. sheet

confidential. 5307 Geol 35-17. 11

Copy of letter no 1670 dated 11th January 1918 from the offg Director, Dept of Geology, to the Chief Secretary to Govt.

In continuation of my letter no 1280 G 18th December 1917, I have the honour to forward herewith for favour of orders of Govt, a report in respect of the various matters referred to in paras 1 to 10 of Govt order No Jl. 2664-8 / Geol 35-17-3 dated 28th November 1917, relating to the accounts of this department.

confidential.

Extracts from the report of the Offg Director of Geology on the Govt order no Dl 2664-8/Geol 35-17-3, dated the 28th November 1917.

In obedience to Govt. order above, I most respectfully beg to state that action has been taken as follows in regard to the various matters referred to therein.

2. A requisition was made to the Comptroller to supply this office with the necessary new forms and registers to be adopted in future. Specimen copies of these were recently received from the Comptroller with necessary instructions for the proposed system of accounts procedure to be brought into effect from the beginning of this official year.

3. The above forms have been duly sent to the Superintendent of the Govt Press for kindly striking off and preparing the required number of forms and Registers.

4. Steps have been taken to prevent any receipt of cash in this office on account of licenses etc, and sales of departmental publications; a Notification has been issued requiring all moneys due on these accounts to be paid direct to the Govt Treasuries by the parties concerned.

5 With regard to the arrangement for an annual inspection of the Books & accounts of the Mining companies by Govt officers, I have earnestly talked the

matter over with the Chief Inspector of Mines in Mysore and the several Superintendents of the companies have been consulted. The latter seem to be fairly unanimous in their views, which may be briefly summarized as follows

a. That applications for the inspection of the books should be sent in writing to each Superintendent who will then send it to London for the information and sanction of the Directors and Managers.

b. Though the right of Govt to inspect the books is fully recognised, yet they would like to have some explanation of the reason why Govt have suddenly decided to exercise the right after a period of over thirty odd years.

c They wish to have some idea of the extent of the inspection

d. As the annual accounts of the companies will not be ready until about the middle or end of February they would suggest that the most convenient time for any such inspection would be sometime after March pay-day or about the third week in March.

e In view of the fact that particulars of expenditure, sales of gold etc., are published in the Balance Sheet in the several Annual Reports, and local accounts are audited regularly on this side by a

Chartered Accountant, as are also the accounts in London, copies of all of which are supplied to the Govt departments, they consider it a waste of time and unnecessary for the Govt to again inspect them.

7. Under the circumstances they do not feel that without the sanction of the directors they can allow the books to be inspected under clauses of the leases, which have never been in operation before, but if above views are duly considered, they would take the earliest opportunity of communicating the request of the Govt to the directors & Managers.

It will be seen from the above that it absolutely impossible to submit any definite recommendations as to when the first annual inspection can be arranged and conducted before an understanding is arrived at on the points raised by the Superintendents.

The above points raised may, I think, be satisfactorily answered as follows:—

(1) With regard to point (a) there will be no difficulty in conceding to the requisition.

(2) The explanation required in point (b) seems only fair as a sudden deviation from the existing

practice may create in the minds of the Directors and Managers a feeling of distrust in the books and accounts maintained by the Mining Companies. To obviate any such conception it can be pointed out that the necessity now felt for exercising the right of inspection has purely arisen from the recent report of the Government Special Audit Officer.

(3) As to point c, the character of the inspection can be easily given after consulting the requirements of the Comptroller and the Government.

(4) Regarding point (d), the third week in March may be accepted.

(5) The opinion expressed in point e, need not be taken into consideration. It is very desirable that the contemplated inspection should be brought into effect even though it may be considered unnecessary or superfluous.

(6) It is but fair that the Superintendents should be given the necessary information to enable them to ——— communicate with the Directors & Managers & obtain their sanction.

Lastly in regard to the Inspection Staff I should like to suggest that the Resident Auditor of the Mining Companies & one of the officers of the Cashiers Department may be asked to assist the Deputy Commissioner of Kolar or the Special Magistrate of the Kolar Gold Fields, Special

Audit Officer of the Finance Department and the Chief Inspector of Mines or the Director of Mines & Geology.

To enable me to take final steps in the matter, I may be favoured with the views of the Government on the subject.

From the foregoing it will be seen that the first inspection cannot be conducted in the 3rd week in March this year, though when matters are satisfactorily adjusted and arranged and sanction obtained for regular annual inspections, it will be possible to do so in subsequent years.

4192 Geol 35-17-4

Extracts from Lr. no. 1280 dated 1st December 1917 from the Offg. Director, Dept of Geology, to the Chief Secretary to Government.

I have the honour to acknowledge the receipt of G.O. no. Fl. 2664-8/Geol 35-17-3, dated 28th November 1917, passing orders on the report of Mr. K.L. Datta, Special Officer, on the State of accounts of the Department and the measures to be adopted for the improvement of the system of accounts in future; and to state that the various matters referred to therein will receive my due attention.

2

3. The revised system of accounts procedure referred to in para 5 will be brought into effect as soon as the necessary forms & registers are received in this office from the contractor who has been written to in the matter.

4. With regard to the periodical inspection of the accounts and books of the Mining Companies I shall discuss the question with the Chief Inspector of Mines in Mysore & the Kolar Gold Field Mining Board & submit definite proposals to Govt in due course.

18

WD A0320—GPB—500—21-12-17

C. I. M. O. 7.

OFFICE OF THE CHIEF INSPECTOR OF MINES, in KOLAR GOLD FIELD. Mysore.

No. 637

Dated Oorgaum,....16th January 1918.

5583

From

R. BOCQUET, Esq.,
Chief Inspector of Mines. in Mysore.

18
Geol
3687
7

To

3686

C.S. Balasundaram Iyer, Esq., B.A.,
Chief Secretary to the Government of
His Highness the Maharaja of Mysore,
BANGALORE.

SIR,

With reference to your letter No. G. 9357-8, dated Bangalore, 11th January 1918, requesting me to submit the report called for by Government in their Order No. Fl. 2664-8/Geol.35-17-3 dated 28th November 1917, para 10, I have the honour to inform you that, as directed, the various Superintendents of the Mining Companies have been consulted while the matter has also been discussed with the Officiating Director, Department of Geology, and our combined views have been sent up to Government by the latter officer giving the information asked for.

I have the honour to be,
Sir,
Your most obedient servant,

R. Bocquet.

CHIEF INSPECTOR OF MINES
IN MYSORE.

4

47

3 copies

19

Govt 115-17-1

To G 726 G 15.7.18

The Offg. Director,

Department of Geology.

S i r

In reply to your letter, No. 1670 dated the 11th January 1918, submitting a report on the various matters referred to in Government Order No. Fl 2664-8/Geol. 35-17-3 dated the 28th November 1917, I am directed to state that, when the agreement with the companies was entered into, a provision was made ~~in it~~ that the State would have the right of inspecting their accounts. ~~But~~ It is no doubt true that as pointed out by the Mining Companies this right ~~has~~ was never ~~been~~ exercised in the past, but there was no particular reason for it ~~the reason being that no necessity was felt for it till now.~~ But recent events have brought about a change in the situation. Some time ago a financial expert of very high standing, was deputed to report on several important questions connected with the administration of the State. In bringing to light some irregularities that had taken place in the office of the Director, Department of Mines and Geology, he expressed the view that an Inspector of the Companies' accounts would be of material help to Government and it is on this advice that the present proposal is based. Moreover, ~~Further,~~ under the proposed arrangement, responsible officers of Government will have good opportunities of obtaining an insight into the working of the Mines. I am to request that the Companies may be assured that the

It is further considered that Govt would be discharging their responsibilities if such an inspection is about as necessary incident in a business like manner of the exercise of ~~right~~ specifically provided for the leases is only [redacted] business like.

20

the proposal is due entirely to these causes and not to any feeling of distrust in their books or accounts and that every endeavour will be made to make the - - inspection without causing them any inconvenience.

2 As regards the scope of the - - - inspection, it may be stated that it is under contemplation to inspect all the books ~~xxxxxx~~ and accounts relating to the extraction of ores, the quantity of gold obtained, the operating expenses and the charges incidental to the transmission of the gold produced to London or any other place to which it may be consigned.

The Superintendents of the several Mines may be requested to place themselve in communication with their Directorates in England in regard to the proposed inspections and to communicate these views of the Government to them. It is hoped that the~~y~~ Directorate will duly appreciate the motives of Government and see no difficulty in falling in with their views.

Rec'd 3.7.08

4 After the receipt of the replies of the Directors, which will receive every consideration, further instructions will be issued.

I have, etc.,

19/6/08

Chief Secretary to Government.

Memo No. Dated.

21

Memo No. 9727 Dated. 15.7.18

Copy to the Chief Inspector of Mines.

"By Order"

Chief Secretary to Govt.